EXHIBIT 9
DATE 2-7-05
HB 499

MONTANA COAL BOARD

- The Coal Board was created in 1975 with the adoption of the Coal Severance Tax and is attached to the Department of Commerce, Community Development Division, which provides staff and administrative support for the Board.

- The seven-member board is appointed by the Governor and meets quarterly.

- *Purpose* - Provides grants to help communities meet public facility or public service needs that are related to the development or decline of coal mines or coal–fired power generating plants.

- *Eligible Applicants* - Cities and towns, counties, consolidated governments, tribal governments, school districts, state agencies, and county or multi-county water, sewer, or solid waste districts or other governmental units.

- *Funding* – The 7.75% Coal Severance Tax Shared Account funds the program. In addition to funding the Coal Board, the Shared Account funds Conservation Districts, a portion of the Growth Through Agriculture program, and State Library Services through the State Library Commission.

During fiscal years 2004 and 2005:

- 35 grant applications were submitted to the Coal Board

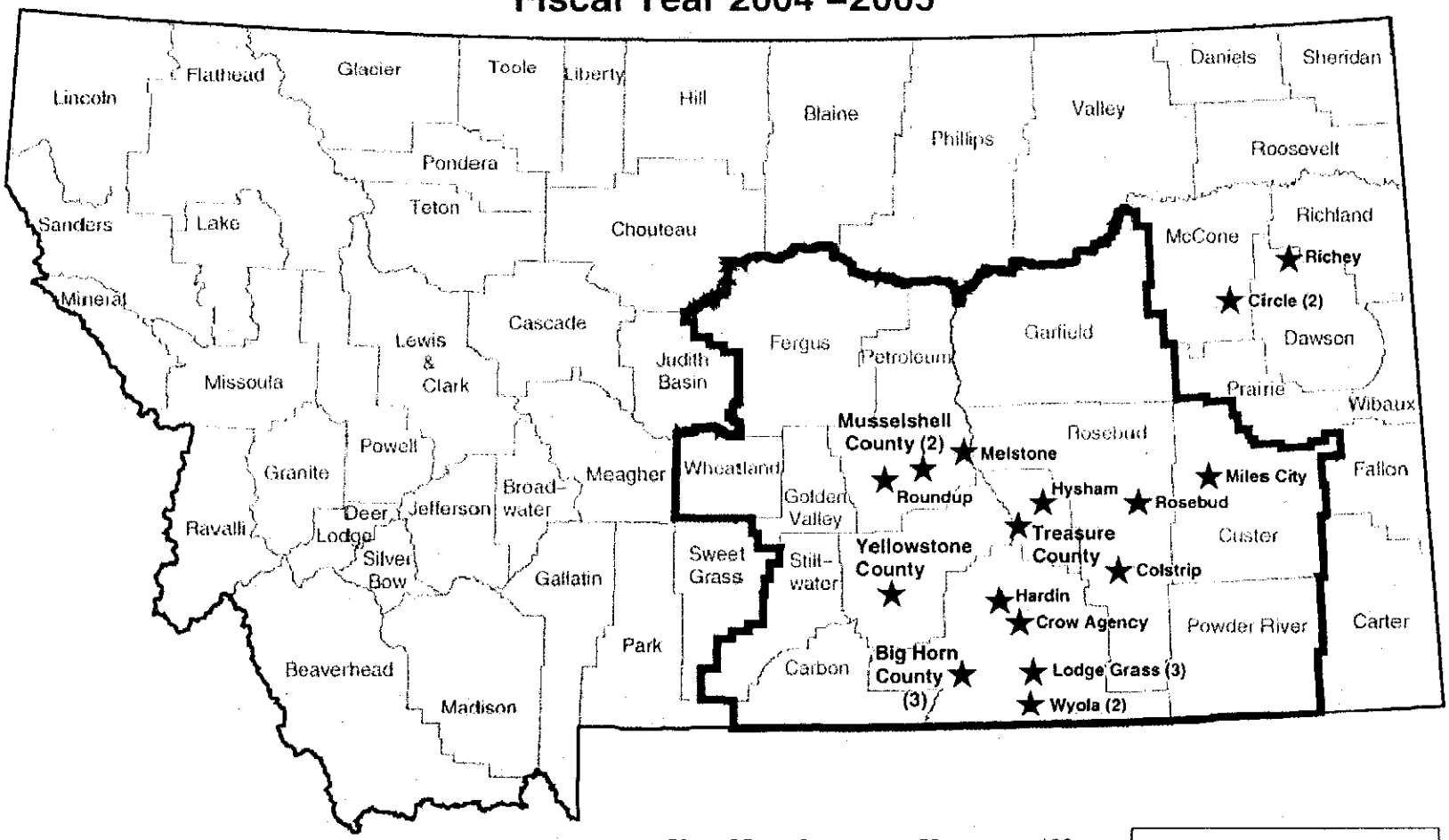
- 19 grants, totaling over $1.4 million, were awarded, ranging in amounts from $6,000 to $201,000

- The 19 projects involve over $13.5 million in other state, federal and local funds

Some of the major projects funded in 2003 and 2004 include:

$150,000	Big Horn County for county hospital expansion
$200,000	Big Horn County for the Lodge Grass School for roof repair
$125,000	Musselshell County for regional water system well at Utica
$100,000	Musselshell County for ambulance facility
$113,912	Musselshell County for the Roundup School for TV system
$100,000	Rosebud School for roof repair
$201,000	Roundup for water transmission line

MONTANA COAL BOARD GRANTS
and the Designated Coal Impact Area
Fiscal Year 2004 –2005



Source: Designated Coal Impact Area 2004, Dick Dodge Report, Coal Board Funding Data.

CoalBoard04.mxd December 2004

INCREASED ACTIVITY IN MONTANA'S "COAL COUNTRY"

"The interior West is witnessing the biggest resurgence in coal-fired power plants in a generation." – Washington Post, October 29, 2004

Current and proposed Montana coal-related projects include:

- As of November 2004, construction was 40% complete on MDU Resources' **Rocky Mountain Power** 116-megawatt coal-fired generating plant at Hardin. MDU has signed an agreement to sell all the power to Powerex Corporation, a subsidiary of BC Hydro in Vancouver, B.C. DEQ has issued the plant an air quality permit that has been appealed.

- A coal-fired electric and wood co-generation plant, **Thompson River Co-Gen**, is under construction in Thompson Falls that would burn 550 rail car loads of coal from the Bull Mountain Mine near Roundup annually. The plant was granted an air quality permit by DEQ in November 2004. Construction of the plant was approximately 85% complete in November 2004.

- **Great Northern Power Development** of Denver and Kiewit Mining Group of Omaha have proposed a $1 billion 500-megawatt coal-fired generating plant near Nelson Creek west of Circle, along with an adjacent coal mine, and related infrastructure. As of August 2004, Great Northern had spent $2.5 million in preliminary work on the project. Great Northern has also spent $2.2 million to reserve transmission capacity on the Colstrip to Hot Springs 500-KV line. The project would construct a 130-mile transmission line to connect to the Colstrip line. The project will be submitting its applications for state required permits in 2005. The project would go on line in 2009. Direct and in-direct employment is estimated at 1,200 jobs.

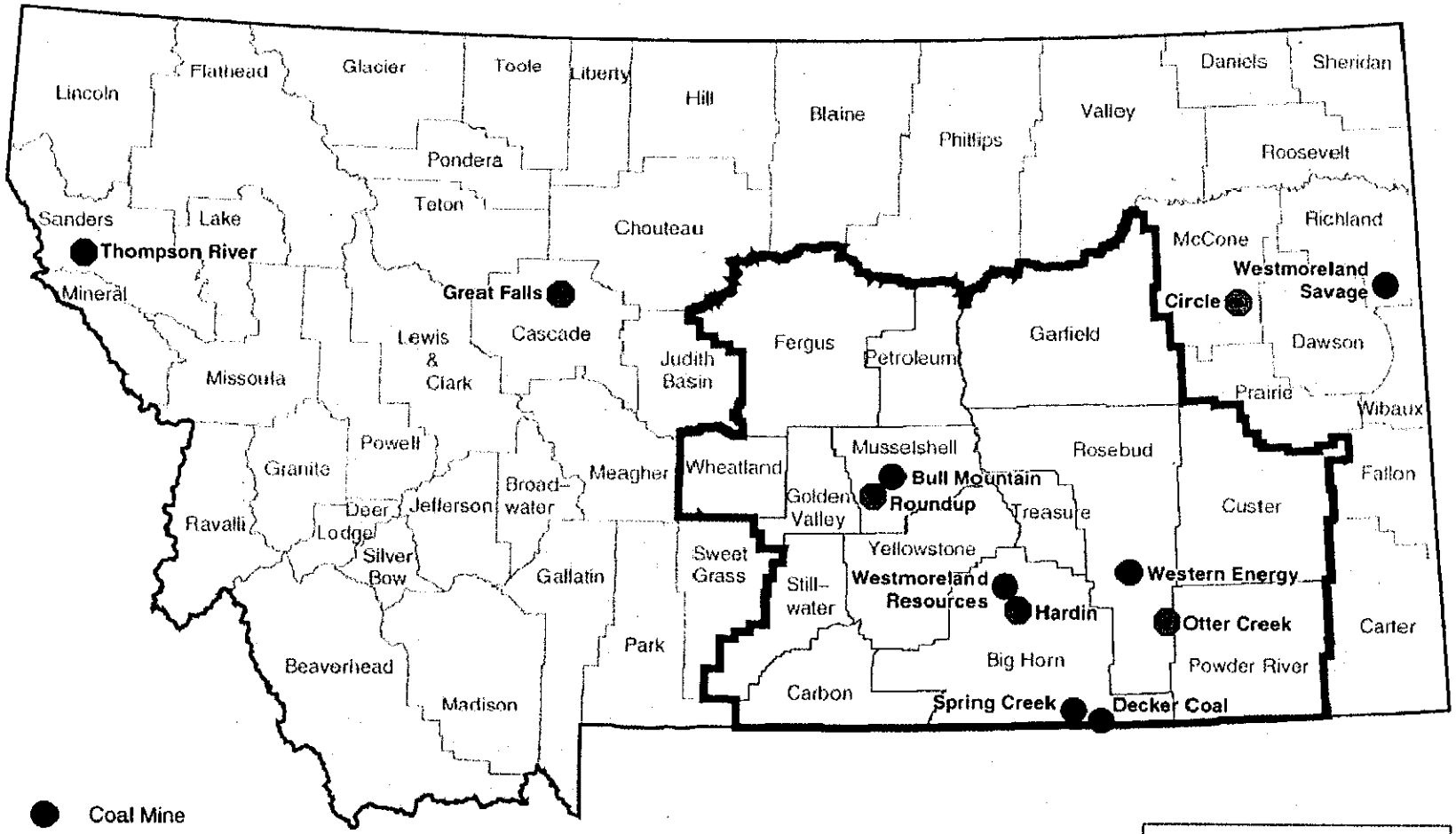
- **Bull Mountain Power** has proposed two 350-megawatt coal-fired generators using 2.7 million tons of coal per year from the Bull Mountain Mine at Roundup. DEQ has issued the plant an air quality permit that has been appealed.

- The **Southern Montana Electric Generation and Transmission Cooperative** has announced plans to build a $515 million 250-megawatt coal-fired generating plant at Great Falls. The plant would serve the City of Great Falls and 100,000 members of five rural electric co-ops including Beartooth, Fergus, Mid-Yellowstone, Tongue River, and Yellowstone Valley. The plant is proposed to be in operation in 2010 and would provide 65-75 permanent jobs. In addition, the project would provide 400-500 jobs during construction with total wages estimated at $75 million.

- Kennecott, Bechtel, and Wesco have proposed a 3,500 megawatt coal generation plant near the **Otter Creek Tracts** 1,2, and 3 coal deposits which have over 533 million tons of estimated super-compliant coal reserves

- **Montana has six existing coal mines** *(with total production for 2004)*:
  - **Bull Mountain Mine near Roundup** *(208,755 tons)*
  - **Decker Coal Company at Decker** *(8,241,274 tons)*,
  - **Spring Creek Mine in Big Horn County** *(12,001,290 tons)*
  - **Western Energy Company's Rosebud Mine at Colstrip** *(12,413,482 tons)*
  - **Westmoreland Resources' Absaloka Mine at Hardin** *(6,588,633 tons)*
  - **Westmoreland Resources' Mine at Savage** *(380,042 tons)*.

MAJOR COAL MINES/PROPOSED COAL-FIRED POWER PLANTS and the Designated Coal Impact Area



Source: 2004 Coal Council Brochure.

CoalMines.mxd December 2004

PROPOSED COAL BOARD FUNDING FOR 2006 – 2007

- During the August 2002 special session, the Legislature set the Shared State Special Revenue Account at 7.75 % of the amount of Coal Severance Tax collections for fiscal 2004 and beyond.

- The 2003 Legislature appropriated $1,500,000 for Coal Board grants in the 2004 - 2005 Biennium.

- The proposed Executive budget would provide a total of $1,567,077 for impact grants during the FY 2006-2007 biennium.

IMPACT OF HOUSE BILL 499

1. HB 499 would appropriate $1 million to the Coal Board (which is administratively attached in the Department of Commerce) from the 7.75 percent coal severance tax shared state special revenue account. The purpose of the appropriation would be to evaluate the impact from coal hauling on the roads between the Absoloka mine and a future power plant northeast of Hardin Montana, including Montana secondary 384 and various state and local roads, and to complete preliminary engineering for minor rehabilitation or thin lift overlay or other strategies needed to preserve the pavement on these routes.

2. HB 499 is not clear as to where the $1 million in funding from the shared account for the proposed activities in HB 499 is to come from.

3. Option 1 would be to take the funds from the Shared Account as a whole. This would reduce available funding for all four programs that are funded by the Shared Account. If this were done on a percentage basis, based on current allocations, this would reduce the budget for the Coal Board by approximately $352,362.

4. Option 2 would be to take the funds solely from the appropriation for the Coal Board. As a result, the budget for the Coal Board would be reduced by $1 million, leaving approximately $567,077.

5. The Coal Board has awarded 19 grants to impacted areas in Montana so far in the 2005 biennium, with the average award approximately $77,950. Reprioritizing Coal Board grants funding, as proposed in HB 499 would reduce the amount of funding available for grants to other impacted communities:

   - Under Option 1, the Coal Board would fund approximately 4 to 5 fewer projects.

   - Under Option 2, the Coal Board would fund approximately 13 fewer projects.

Submitted by:

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